

D. P. Roman, Jr.



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September 14, 2005

Mr. John F. Carter  
Regional Director  
Federal Deposit Insurance Corporation  
25 Jessie Street at Ecker Square, Suite 2300  
San Francisco, California 94105

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Dear Mr. Carter:

QwickRate, America's largest direct market place for institutional buyers and sellers of certificates of deposit, serving over 900 community banks, is submitting this letter in opposition to the application by Wal-Mart for a Utah industrial loan bank charter.

There have been multiple comments addressing the potential destructive impact that a Wal-Mart bank could have should their activities eventually expand to include retail banking services. QwickRate agrees that allowing a company of such enormous size and with a primary presence in retail commerce to enter the banking industry could ultimately lead to the elimination of many local community banks. I will focus my comments, however, on the immediate threat that Wal-Mart will pose to community banks that rely on institutional certificates of deposit funding to meet the credit needs of the communities they serve.

There is growing concern in the banking industry about the problem of ensuring community banks have adequate funding to meet the loan demand in their communities. Many community banks are facing a declining local market deposit base due to the competition for deposits from other financial intermediaries. The declining core deposit base has contributed to an increased reliance of non-traditional funding by many community banks. Much of the non-traditional funding generated by community banks consist of certificates of deposit issued through deposit brokers or sold directly to institutional investors as a result of listing the banks rates on a non-biased internet listing service such as QwickRate. The rates being offered by financial institutions in this market are a product of the bank's lending opportunity in their local market. There is timing associated with that lending opportunity and a potential spread between the cost of those deposits and the rates charged on the loans being made with those deposits.

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In its application Wal-Mart states that the primary function of the bank is to facilitate the processing of electronic transactions, however the application also states that the bank will offer short term certificates of deposit to institutional investors (nonprofit, charitable and educational organizations and individual depositors generated through deposit brokers). The ability to sell certificates of deposit to institutional investor puts Wal-Mart in "immediate" competition with community based financial institutions across the country. Wal-Mart's size, widespread presence, and financial position (annual revenue of over 290 billion dollars) provide an enormous advantage to Wal-Mart to not only attract deposits away from community banks but to direct the pricing of this market.

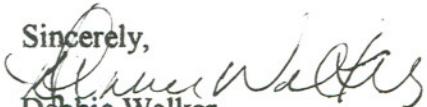
Wal-Mart's application also states that "it is anticipated that the certificates of deposit will have above market rates based on the policies and procedures of the Banks Asset Liability Management Committee". The pricing policy on the proposed Wal-Mart CD's is not established as with other community banks on the need, timing or lending opportunity and is directly related to the willingness and financial ability of what is known to be the largest commercial company in the US.

In commerce, Wal-Mart has established a history of cutting prices to the point of running other small businesses out of business. A similar effect could be produced if Wal-Mart is given the opportunity to run up deposit rates to a point where community banks would not be able to compete in a cost effective manor, ultimately driving some community bank out of business. In the short term, consumers will be affected when those banks choosing to compete are forced to charge much higher rates on loan products due to the result of the higher cost of acquiring deposits necessary to fund those loans.

One would question the reasoning behind the interest of Wal-Mart in getting approval to generate deposit funding through the issuance of CD's when they have no intention of lending those funds. Could this be simply the first step towards their efforts to eventually enter the retail banking market?

Once again, Wal-Mart states in their application that "there will be no impact to the national market". However, the issuance of certificates of deposit to institutional investors at above market rates, will in fact, directly impact the cost and availability of funding for those community financial institutions that rely on national market funding to meet the loan demands in their communities. QwickRate urges the FDIC to reject Wal-Marts application for federal deposit insurance for a Wal-Mart ILC.

Sincerely,

  
Debbie Walker

Director of Research

QwickRate